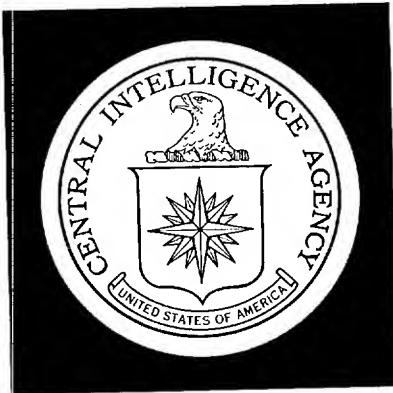


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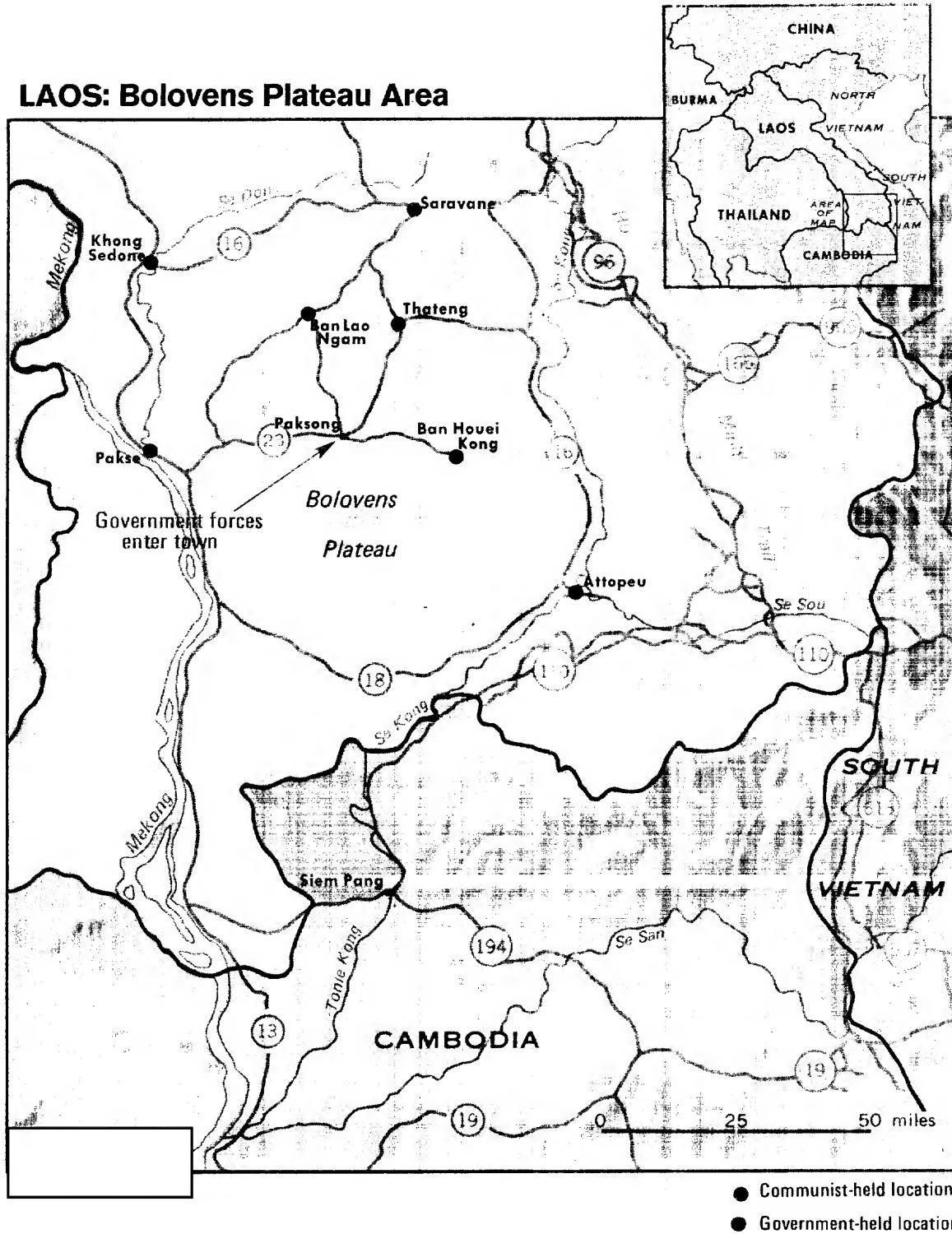
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LAOS: Government forces have entered Paksong town on the Bolovens Plateau.

Elements of two irregular battalions moved into the town on 15 September. By late afternoon, they were fighting from house to house to mop up pockets of enemy resistance and complete the capture. A North Vietnamese counterattack remains a real possibility, however.

The irregular troops are part of a larger government task force that, with artillery and air support, has been pushing toward Paksong since it was airlifted to positions three miles from the town on 11 and 12 September. If Paksong is secured, the government's next step presumably will be to try to link up with other government battalions that have been trying to advance to the town along Route 23 for the past seven weeks.

Paksong, the commercial center for the Bolovens Plateau area before its loss to the Communists in mid-May, is an important road junction, and its capture will give Vientiane a welcome psychological boost.



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JORDAN-UN: Syria's refusal to support the Jordanian draft resolution on Jerusalem could complicate today's scheduled Security Council meeting.

According to Jordanian Foreign Minister Salah, Syria's opposition at the Arab foreign ministers' conference last weekend completely surprised the Jordanians and the other delegations. The Syrian foreign minister, acting under "inflexible Baath Party instructions," denounced the draft as too weak, as unnecessary--because he said the facts on Jerusalem are already well known--and as smacking of the internationalization of Jerusalem. Both the Egyptians and the Tunisians argued against these views, and the Syrian foreign minister agreed to convey their opinions to Damascus. The Egyptians have promised further demarches, and the Jordanians have tried to enlist French and Soviet support as well. Amman suspects that Syria is bluffing in order to embarrass Jordan, and that although Syria might haggle in the course of the debate, it would not actually vote in opposition to a position adopted by the other Arabs.

Jordanian UN representative Tuqan has told the Security Council president that he has "final instructions" for an urgent council meeting, now slated to begin this morning. Jordan is probably aware that if Syria remains inflexible, it will be impossible to confine the Security Council meeting to a brief and limited discussion of the resolution. Nevertheless, Jordan probably believes that it has gone too far at this point to change its course.

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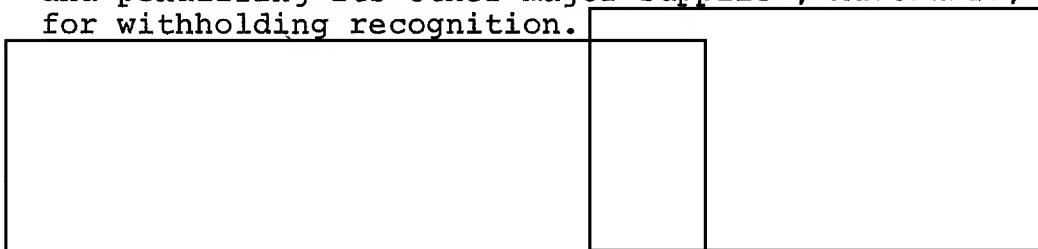
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COMMUNIST CHINA - CANADA: Peking has purchased 500,000 tons of wheat, worth about \$35 million, to be delivered by the end of this year. The Chinese mission in Canada unexpectedly did not contract for deliveries next year.

The short-term agreement may be a stopgap measure until the results of the current Chinese harvest are known fully; recent statements suggest some disappointment with it.

The current order will bring total grain imports this year to 3.2 million tons, about 25 percent less than the average in recent years. Peking has purchased wheat only from Canada so far this year, rewarding Ottawa for diplomatic recognition and penalizing its other major supplier, Australia, for withholding recognition.

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YUGOSLAVIA-CHINA: Belgrade's decision to padlock the Chinese exhibit at the Zagreb Fair yesterday was designed to avoid prejudicing Tito's discussion with President Nixon in late October.

The Yugoslav action followed US complaints about Chinese posters carrying anti-US propaganda in flagrant violation of fair regulations guaranteeing a nonpolemical atmosphere. For several days prior to the padlocking, the Chinese stalled in meeting Yugoslav requests to remove the offensive material. There is no explanation for the delay but Peking is unlikely to tarnish its recent rapprochement with Belgrade by failing to make amends. The decision was not an easy one for the Yugoslavs, especially as a Chinese trade delegation was visiting the fair at the time. Belgrade hopes to avoid any sensational press coverage that could inflate the incident. Furthermore, Belgrade will now be more wary of Chinese attempts to involve Yugoslavia in their propaganda efforts.



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SPAIN: The death of a striking worker at the hands of the police will provide a new rallying point for additional antigovernment demonstrations.

The strike of construction workers in Madrid was organized by the illegal workers' commissions ostensibly in connection with negotiations for a new collective bargaining contract. Actually, the strike appears intended to demonstrate the power of the workers' commissions to stir up labor unrest. They chose the construction sector because of its low pay and bad working conditions, and because of their own strength among these workers. Nonetheless, the strike was not markedly successful. In the face of extensive deployment of police and security forces, even opposition sources reported that ten percent of some 150,000 construction workers had walked out.

Although the directorate general of security publicly stated that the worker was killed in a scuffle when he resisted arrest and attempted to disarm the police, the incident has provoked anger among workers throughout industry. Various labor groups are considering ways to exploit the killing to their own tactical advantage through publicity and protest gestures, even including further strikes. They are likely to receive moral support from important Catholic clergymen.

The Spanish Government is acting to prevent the incident from getting out of hand. High level officials of the Syndicate Organization--the official labor establishment--are meeting to deal with the legitimate grievances of the construction workers. Concurrently, the government reportedly is taking precautionary security measures to prevent further disturbances.

The timing of the incident is an embarrassment to the government, coming as it does just as the campaign for the elections of 29 September for the national legislature is getting under way. Strikes would detract from the government's efforts to project a liberal image during the electoral period.

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CHILE: The opposition Christian Democratic Party (PDC) has reportedly extracted several concessions from the Allende government.

In exchange for the PDC's agreement not to support formal impeachment proceedings brought against the minister of economy by the conservative National Party (PN), Allende has reportedly agreed to four points: peasants' seizures of farms and workers' seizures of industries will be stopped; PDC workers discharged following government intervention of textile plants will be reinstated; the government will submit legislation to Congress clarifying which economic sectors are to be state-controlled, which are to remain in private hands, and which are to be mixed; and Allende has agreed eventually to remove the minister of economy [redacted]

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[redacted] *against the minister of economy*
 The PDC's reported decision not to support the impeachment proceeding effectively kills the attempt. It also exemplifies the PDC's adroitness in maintaining an effective opposition while avoiding the internal party strains that would inevitably result from a direct confrontation with the government. Although the specific terms of Allende's concessions are significant, of at least equal importance is the fact that he could be obliged to make any concessions at all to his political enemies. The coincidence of a bleak economic outlook and a considerable realignment of forces within the ruling coalition may have thrown Allende off balance. Whether the PDC and other smaller opposition groups will be able to capitalize on their temporary advantage will be determined in part by whether they can overcome minor differences and form a united opposition.

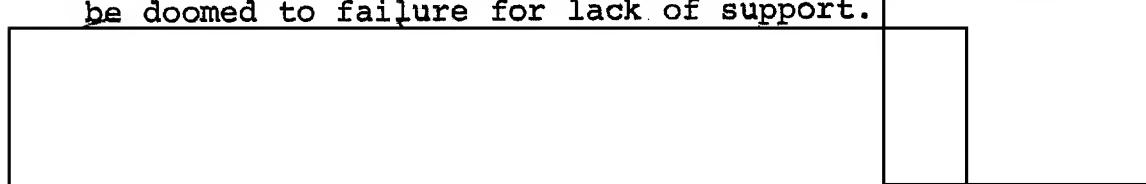
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The opposition may use the occasion of Chile's National Day, on 18 September, to intensify their resistance to Allende's programs, although the government is downplaying the traditional celebration of

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the day. Because of their careful adherence to the letter of the law, such groups as the PDC and the PN are unlikely to support any attempt to remove Allende or alter his course by force. Some junior military officers, who are disturbed by the worsening economic situation and by what they see as the danger Allende poses to the Chilean Constitution, could conceivably make such an attempt, but it would be doomed to failure for lack of support.

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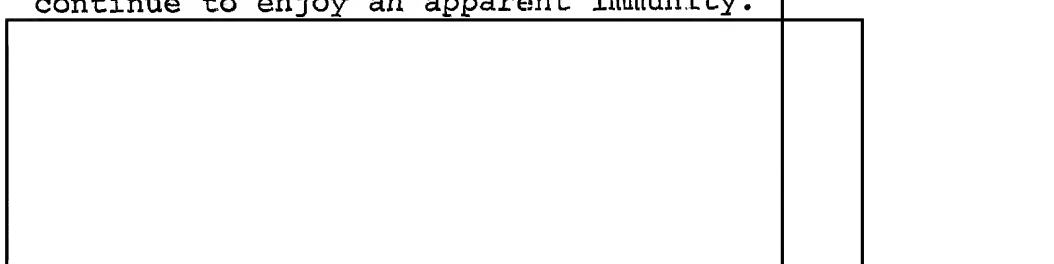
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PERU: The government has charged the antiregime American Popular Revolutionary Alliance (APRA) and the "ultra left" with attempting to manipulate the sixteen-day-old teachers' strike. Fourteen individuals charged with counterrevolutionary agitation have been arrested. The move came after many union locals had accepted the government's second wage offer and authorized their members to return to work.

The teachers' union has been heavily infiltrated by the pro-Soviet Communist Party, and the Communist-dominated labor confederation is actively and publicly supporting the strike. While the military regime continues to denounce "agitators" of what it terms the extreme left and right--especially APRA, the military's traditional enemy--the Communists responsible for much of the nation's labor unrest continue to enjoy an apparent immunity.

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RHODESIA-ZAMBIA: Both Rhodesian nationalist exile groups are beset by factionalism, and the Zimbabwe African Peoples Union (ZAPU), once the main guerrilla movement, is on the verge of dis-integration.

For some time the Zambian Government has tried unsuccessfully to persuade ZAPU's leaders to paper over their differences and to come to terms with the other Zambian-based exile group. ZAPU, which for over a year has been wracked by an internecine struggle for power, has been all but destroyed. Its ranks have been badly depleted; its organization has virtually collapsed; and its leaders are more at odds than ever. ZAPU's acting president, James Chikerema, has admitted that he commands the support of less than half of ZAPU's 200 remaining cadre.

Fissures also have appeared in the Zimbabwe African National Union (ZANU), ZAPU's smaller rival. Last month ZANU's announcement that it was breaking off "unity" talks with ZAPU because of its factionalism set off a controversy within ZANU between those who favor unity and those who do not. It is uncertain how serious this split is, but as in ZAPU, it is apparently complicated by tribal and clan rivalries.

The Zambian Government has plainly become disgusted with both groups. President Kaunda recently issued a strong but vague warning that both should settle their differences and unite. Kaunda is unlikely to proscribe ZAPU and ZANU, but he probably will do whatever he can short of that to reduce the security problems created by their constant bickering.

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~~CONGO (B) - CHINA:~~ Brazzaville has announced the signing of a military aid agreement with Peking that provides for Chinese technicians and an undetermined amount of "heavy military equipment." The announcement comes at a time when Brazzaville fears a new attack by Kinshasa-backed exiles. While no details were disclosed, the pact may augment a \$2-million military aid grant concluded late last year under which a number of Congolese military trainees have gone to China; Peking has delivered an assortment of ground forces equipment. Earlier this year Peking also agreed to give the Congolese Popular Militia [redacted] small arms and ammunition and to provide several military instructors.

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~~ISRAEL-SYRIA:~~ The Israeli press on 14 September quoted "informed security circles" to the effect that Israel would strike back if provocations by the Syrians in the Golan Heights continued. One newspaper speculated that the spate of incidents, about one per day last week, resulted from Damascus' desire to enhance its profedayeen and Arab nationalist image. Any Israeli reaction would be designed to remind the Syrians of their vulnerability and it probably would be limited in scope.

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~~UN:~~ The US mission reports that the UN was barely able to meet its mid-September payroll and cannot meet its end-of-the-month obligations without substantial contributions from the member states. The UN comptroller believes Secretary General Thant may have to impose arbitrary restrictions on UN programs, although he probably would not consider doing so without the approval of the General Assembly. This is certain to exacerbate the usual Assembly debate on budgetary problems, which stem in large measure from Soviet and French refusal to honor a number of past assessments for peacekeeping missions. Some \$26 million remains outstanding from the US 1971 assessment.

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JAPAN: Tokyo's trade surplus soared to a record \$850 million in August as exports grew by almost 30 percent while imports declined by more than three percent compared to August of last year. Paced by automobiles, chemicals, synthetic textiles, and televisions, Japanese exports to the US during August rose by 38 percent over the same month last year, while imports from the US dropped 35 percent. This reflects the economic slowdown in Japan and the dock strike on the US west coast. It is still too early for the effects of the US surcharge and appreciation of the yen to affect the trade balance. Official Japanese reserves rose by almost 60 percent to \$12.5 billion at the end of August as the trade surplus was augmented by a substantial short term capital inflow and a reduction in private Japanese dollar holdings. Both of these items reflect Japanese hedging against revaluation.

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HONG KONG: The colony's decision to limit to a six-percent annual increase the volume of all textile exports to the US still allows for substantial growth in this trade. The trend toward substituting high quality man-made fiber apparel for woolens and cottons, which are in less demand, is expected to continue, with the value of textile exports consequently rising. For example, in 1970 the total volume of textile exports to the US stagnated, although the value rose substantially. Hong Kong's move, however, will put greater pressure on Taiwan and South Korea to impose at least unilateral controls on textile exports.

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